SUMMARY OF NEW INITIATIVES AND REQUIREMENTS FOR FY 2004 AND BEYOND

Revised FMS-2108 Reporting Requirements

Due to the FY 2004 accelerated financial statements reporting requirements, there has been a change in our FMS-2108 certification process. **The FY 2004 field office FMS-2108 certifications are going to cover June 30, 2004, data and are due no later than August 13, 2004**. This will require that uncosted balances be reviewed prior to June 30 as KPMG will be doing much of their audit work on undelivered orders and accounts payable based on June 30, 2004, balances. We plan to rely upon the June field office certifications as the basis for the Department's (DOE's) year-end certification. **No formal FMS-2108 certification will be required as of September 30, 2004**. However, field offices are expected to continue to monitor their FMS-2108 reports throughout the remainder of the fiscal year. For the three DOE appropriations that will expire at the end of FY 2004 (see information below), there should be no receivables, unfilled customer orders, undelivered orders, or accounts payable on your FMS-2108 as of September 30, 2004. We will be contacting field offices if we see abnormal balances or need your assistance as we prepare DOE's year-end report. Questions related to FMS-2108 reporting should be directed to Barbara Harbell on (301) 903-3774.

New Treasury Closing Package Requirements

Treasury has developed a new closing package methodology to help resolve material government-wide financial statement deficiencies identified by the General Accounting Office. This methodology is designed to link agencies' comparative, audited, consolidated, departmental-level financial statements to the Financial Report of the U. S. Government. As a result of this new initiative, DOE will be required to submit "reclassified" FY 2004 financial statements and footnotes for Treasury. Since the consolidated financial statements are comparative, reclassified statements and footnotes will also be required for FY 2003. The Office of Financial Control and Reporting will be responsible for submitting the required consolidated DOE closing package data to Treasury. Some of the required footnote information is not available from MARS and will therefore need to be provided to us by field offices. The additional closing package footnote information needed is as follows:

A. Direct Loans and Loan Guarantees. **This information will only apply to the Idaho Field Office and the National Nuclear Safety Administration**. A direct loan is a disbursement of funds by the government to a nonfederal borrower under a contract that requires the repayment of such funds within a certain time with or without interest. The term includes the purchase of, or participation in, a loan made by another lender. A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a nonfederal borrower to a nonfederal lender but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions.

List any direct loans or loan guarantees and provide the following information:

	FY 2004	FY 2003
Direct Loans:		
1. Face value of loans outstanding	X	X
2. Long-term cost of loans	X	X
3. Net loans receivable	X	X
4. Loans disbursed	X	X
5. Beginning allowance for subsidy expense (SFFAS No. 18, par. 10)	X	X
6. Subsidy expense and rate:		
a. Interest subsidy	X X%	X X%
b. Estimated default costs net of recoveries	X X%	X X%
c. Present value of net fees collected	X X%	X X%
d. Present value of other cash flows	X X%	X X%
7. Other adjustments	X	X
8. Interest rate reestimates	X	X
9. Technical/default reestimates	X	X
10. Ending allowance for subsidy expense	X	X
Loan Guarantees:		
1. Face value of loans outstanding	X	X
2. Long-term cost of loans	X	X
3. Amount guaranteed by the Government	X	X
4. Loans disbursed	X	X
5. Beginning allowance for subsidy expense (SFFAS No. 18, par. 10)	X	X
6. Subsidy expense and rate:		
a. Interest subsidy	X X%	X X%
b. Estimated default costs net of recoveries	X X%	X X%
c. Present value of net fees collected	X X%	X X%
d. Present value of other cash flows	X X%	X X%
7. Other adjustments	X	X
8. Interest rate reestimates	X	X
9. Technical/default reestimates	X	X
10. Ending allowance for subsidy expense	X	X

Other Related Information:

1. Enter the following information as it relates to modifications of loans receivable for each program (SFFAS No. 2, par. 56)

	Fiscal 2004	Fiscal 2003
a. Discount rate used	X	X

b. Basis for recognizing a gain or loss________________________________
c. Nature of modifications____

2. Enter the following information as it relates to acquisition of foreclosed assets in full or partial settlement of a direct or guaranteed loans receivable (SFFAS No. 3, par. 91).

	Fiscal 2004	Fiscal 2003
a. Number of properties in the foreclosure process	X	X
b. Number of properties held	X	X
c. Average holding period of properties held	X	X
d. Balances for property held:		
(1) Pre-1992	X	X
(2) Post 1991	X	X

e. Restrictions on the use/disposal of foreclosed property__________________
f. Valuation basis for foreclosed property______________________________
g. Changes from prior year's accounting method, if any___________________

3. For significant fluctuations in subsidy rates, provide analysis that explains the underlying causes for the fluctuations (SFFAS No. 18, par. 11)_______________
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4. For significant and measurable effect on subsidy rates, subsidy expenses and subsidy reestimates provide explanation of events and changes in economic conditions, other risk factors, legislation, credit policies and subsidy estimation methodology and assumptions (SFFAS No. 18, par. 11)____________________
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5. For changes in legislation or credit policies include changes in borrowers' eligibility, the levels of fees or interest rates charges to borrowers, the maturity of loan terms, and the percentage of a private loan (SFFAS No. 18, par. 11)_______
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6. For changes whose effects are not measurable at the reporting date provide a disclosure that includes events and changes at the reporting date that have occurred and are more likely than not to have a significant impact (SFFAS No. 18, par. 11)____

B. Automated Data Processing Software - SGL 1830, Internal-Use Software. The following categories of information are needed for both FY 2003 and FY 2004:

	FY 2004	FY 2003
1. Internally developed	X	X
2. Commercial Off the Shelf Software (COTS)	X	X
3. Post implementation/operational Software	X	X

Totals of (1) through (3) should equal SGL 1830.

C. Accumulated Amortization on Internal Use Software – SGL 1839. The following categories of information are needed for both FY 2003 and FY 2004:

		FY 2004	FY 2003
1.	Internally developed	X	X
2.	Commercial Off the Shelf Software (COTS)	X	X
3.	Post implementation/operational Software	X	X

Total of (1) through (3) should equal SGL 1839. The above allocation of accumulated amortization for internal use software, should be consistent with the capitalized categories.

Please consider the following definitions when providing the above categories of software balances.

1. Internally Developed Software. Software that employees of the Department or its management and operating or other major cost-type operating contractors are actively developing, including new software and existing or purchased software that is being modified with or without a contractor's assistance. Also included is contractor developed software that DOE is paying a contractor to design, program, install, and implement, including new software and the modification of existing or purchased software.
2. Commercial Off the Shelf Software (COTS). Software purchased from a vendor and is ready with little or no changes.
3. Post implementation/operational Software. Software that is no longer expected to provide substantive service potential and will be removed from service or software where a significant reduction occurs in the capabilities, functions, or uses of the software (or module thereof). If the impaired software is to remain in use, the loss due to impairment should be measured as the difference between book value and either (1) the cost to acquire software that would perform similar remaining functions (i.e., the unimpaired functions) or, if that is not feasible, (2) the portion of book value attributable to the remaining functional elements of the software. The loss should be recognized upon impairment, and the book value of the software reduced accordingly. If neither (1) nor (2) above can be determined, the book value should continue to be amortized over the remaining useful life of the software.

D. Commitments and contingencies, including capital and operating leases. The following information is needed:

		FY 2004	FY 2003
1.	Capital leases for the 5 succeeding fiscal years by major asset category		
	a. Year 1	X	X
	b. Year 2	X	X
	c. Year 3	X	X
	d. Year 4	X	X
	e. Year 5/thereafter	X	X

2. Accumulated depreciation/amortization on assets under capital lease by major asset category.		
a. Year 1	X	X
b. Year 2	X	X
c. Year 3	X	X
d. Year 4	X	X
e. Year 5/thereafter	X	X
3. Capital leases, amount representing executory costs, including any profit.		
a. Year 1	X	X
b. Year 2	X	X
c. Year 3	X	X
d. Year 4	X	X
e. Year 5/thereafter	X	X
4. Capital leases, amount of imputed interest		
a. Year 1	X	X
b. Year 2	X	X
c. Year 3	X	X
d. Year 4	X	X
e. Year 5/thereafter	X	X
5. Operating leases	X	X
6. Other commitments	X	X

7. Provide a description of lessee's leasing arrangements including the basis on which contingent rental payments are determined, the existence and terms of renewal or purchase options, escalation clauses and restrictions imposed by lease agreement. This step does not need to be completed for leases less than $5 million.

Field offices must ensure that the footnote information provided is consistent with related amounts reported on their financial statements. For example, the amount reported for capitalized assets should tie to the related liability. Please note that the amount reported for operating leases will not tie to a specific SGL account since we do not capture this information in DISCAS/MARS. FY 2003 information is due to us by June 15, 2004, and should be sent to the attention of Marion Hoch. FY 2004 information should be included with your FY 2004 year-end footnote and financial statement analysis. We are expecting additional closing package guidance and/or training to be provided by Treasury within the next few months, and will pass on any necessary information as appropriate. Please direct questions related to the closing package to Marion Hoch on (301) 903-4216 or Deanna Ammons on (301) 903- 5374.

Agency Location Code (ALC) Consolidation

In accordance with OMB Circular A-76, DOE's Most Efficient Organization (MEO) in-house contract bid was recently selected to perform most of DOE's financial services beginning in FY 2005. The implementation of the MEO, involving major restructuring and consolidation of DOE's financial services, will dramatically change our current operating environment, including the processing, recording, and reporting of DOE's cash transactions and activity. Additionally, the new STARS financial system is scheduled for implementation in October 2004, and all new cash processes and procedures need to be integrated into the STARS environment.

In order to more easily facilitate the implementation of the MEO and STARS, it has been decided to consolidate DOE's current multiple ALCs (with the exception of FERC and the PMAs) into one ALC (89-00-0001) beginning in FY 2005. An ALC Transition Team (comprised of Headquarters and Field staff) has been established and is currently working closely with Treasury on this initiative, which includes Automated Standard Application for Payments (ASAP) activity(grants and letters-of-credit), as well as IPAC, deposits and all other cash related transactions. ALC consolidation for one or more types of the above stated cash activities may begin to be phased in during the latter part of FY 2004. Field offices will be kept updated on the progress of the consolidation effort, and notified of any additional related field requirements. Questions related to the ALC consolidation should be directed to Debbie Kemp on (301) 903-2666.

Intra-DOE Reporting

The new ORACLE/STARS environment will be unable to process DOE interoffice activity the way it is currently being done. Therefore, the current procedures for intra-DOE activity (B&R code 82 transactions) are being re-evaluated. In order to ensure a smooth transition from MARS to STARS, procedures for this type of activity may need to be revised in late FY 2004 to accomplish yearend transactions. We will keep field offices updated on any new procedures and requirements related to intra-DOE reporting.

Reporting of Accruals

There were several audit findings in FY 2003 related to the recording of accruals. KPMG also has a potential concern regarding the integrity of DOE's FY 2004 accrual data, especially with respect to accruals of invoices that have not been presented for payment, due to more stringent time constraints for FY 2004 year-end processing. In addition, KPMG has noticed a trend over the past four years that shows accounts payable decreasing while program costs and undelivered orders are increasing. While this is not inherently wrong, when taken along with the other factors cited above, KPMG has decided to place additional focus on accruals during their FY 2004 audit. Field offices should be prepared to provide KPMG with any necessary information related to their accrual policy and procedures. For FY 2005, accrual practices may need to be reviewed and revised accordingly once we are in the new STARS environment. Questions related to reporting of accruals should be directed to Deanna Ammons on (301) 903-5374.

Interim and Accelerated Reporting

KPMG has requested DOE to provide them with a full accrual based set of financial statements (with accompanying footnotes) for the third quarter of FY 2004. Much of their audit work for FY 2004 will be based on data contained in the June 30 financial statements. To ensure that the third quarter statements are as accurate as possible, field offices should perform procedures on the accrual process similar to what is performed at yearend. The due date for providing third quarter statements to KPMG will be July 31, 2004.

FY 2004 audited yearend consolidated DOE financial statements will be submitted to OMB on November 15, 2004. We have begun our FY 2004 Financial Statement Acceleration team meetings and plan to hold regular monthly conference calls throughout the FY 2004 year-end process. Field office representatives are participating in all scheduled meetings. For additional information regarding interim and accelerated reporting, please contact Deanna Ammons on (301) 903-5374 or Scott Chayette on (301) 903-9705.

Expired and Cancelled Appropriations

Up until a few years ago, the Department was appropriated monies almost exclusively in no-year appropriation accounts. However, beginning in FY 1998, we started to receive more funding in annual appropriations. Public Law 101-510 revised the rules regarding the reporting of expired appropriations. The law requires that agencies keep any remaining budget authority for 5 years after the appropriation expires to use in paying unliquidated obligations and liabilities on the books at expiration. At the end of the 5-year period, for that annual appropriation:

- all budgetary resources, both obligated and unobligated, are cancelled;
- DOE has to return the Fund Balance to Treasury; and
- any receivables and payables are cancelled for that appropriation

In FY 2004, DOE has three appropriations, 8990213 (fund type J9), 8990224 (fund type Y9, YE), and 898/90243 (fund type TM) that will be affected by the new rules and have to be cancelled at the end of the fiscal year. At year-end there should be no receivables, unfilled customer orders, undelivered orders, or accounts payable appearing on your FMS-2108 (i.e. columns 7, 8, 9 and 10). All balances, other than cash and unobligated allotments, remaining in these appropriations must be removed from your books as of September 30, 2004. Initial reports run for these appropriations as of February 29, 2004, indicate that most field offices have balances remaining in various accounts. For fund types J9 and TM, it appears that no field offices have balances remaining in any accounts except for cash and unobligated allotments, and therefore no action is required. However, for fund types Y9 and YE, most offices have balances in one or more of the following accounts: accrued expenditures, uncosted/unpaid obligations, commitments, and advances.

Please review your fund type Y9 and YE balances and begin to make the necessary entries to remove these balances from your books as soon as possible. It will be much easier to research and resolve issues and problems now rather than in September. Also, it is suggested that you begin looking at any balances remaining in annual appropriations set to expire in FY 2005 and start the process of removing balances as appropriate. If you have any questions regarding accounting for expired appropriations, please contact Barbara Harbell on (301) 903-3774.